

City of Cincinnati

March 7, 2013

FOR YOUR INFORMATION MEMO

To: Mayor and Members of City Council

From: Milton Dohoney, Jr., City Manager 

Subject: **COMMUNITY REINVESTMENT AREA RESIDENTIAL TAX ABATEMENT SURVEY**

In 2012, the Hamilton County Auditor's Office certified 256 1-3 Unit Residential Property Tax Abatements in the City of Cincinnati. Of the 256 properties certified in 2012, 110 were new construction, 146 were renovations, and 40 were LEED-certified.

In February 2013, the City of Cincinnati's Department of Community Development (DCD) conducted a survey of property owners who listed an email address on their application and received a Community Reinvestment Area (CRA) Residential Tax Abatement from 2011 to 2013. A total of 127 property owners completed the email survey, yielding a 45% response rate. A summary of the results is attached.

The City's website links with staff contact information are listed below.

Residential Properties (1 - 3 units)

Kayla Camp, Department of Community Development

513-352-3736 / kayla.camp@cincinnati-oh.gov

Application and Information: <http://www.cincinnati-oh.gov/community-development/housing-assistance/residential-property-tax-abatement/>

Residential Properties (4+ units)

Aisha Tzillah, Department of Community Development

513-352-4982 / aisha.tzillah@cincinnati-oh.gov

Application and Information: <http://www.cincinnati-oh.gov/community-development/neighborhood-development/cra-commercial-tax-abatement-program/>

Commercial Properties

Eric Denson, Economic Development Division

513-352-4981 / eric.denson@cincinnati-oh.gov

Application and Information: <http://choosecincy.com/services/business-development-resources/community-reinvestment-area>

This correspondence is for informational purposes only. No Council action is needed.

Cc: Michael Cervay , Director, Department of Community Development

Community Reinvestment Area Residential Tax Abatement Survey Results

In February 2013, the City of Cincinnati's Department of Community Development conducted an email survey of property owners who received a Community Reinvestment Area (CRA) Residential Tax Abatement from 2011 to 2013. A total of 127 property owners completed the survey, yielding a 45% response rate. The survey confirmed that the Residential Tax Abatement is working to encourage new construction and renovation in the city limits. A summary of results is presented below.

The Residential Tax Abatement's incentive is strongest for property owners who are buying newly constructed homes.

The program is also acting as a strong incentive for buyers to pursue LEED certification.

- Owners of newly constructed homes were more likely than owners of renovated homes to say that the Residential Tax Abatement was the determining factor in their decision to invest in property in the City of Cincinnati (62% compared to 20%).
- Owners of newly constructed homes were more likely than owners of renovated homes to say that the tax abatement impacted their decision to stay or move to the City of Cincinnati (81% compared to 49%).
- 87% of owners of newly constructed homes who chose to build LEED-certified said that additional tax abatement was the determining factor that motivated them to pursue LEED certification.
- Just 4% of property owners said that the Residential Tax Abatement did not factor into their decision to build a new home or invest in renovations.

The Residential Tax Abatement is encouraging property owners to invest more money in their property.

This is especially true for owners of LEED-certified homes.

- 27% of property owners said that the tax abatement allowed them to allocate an additional \$5,000-\$49,999 to their budget.
- 26% of property owners said that the tax abatement allowed them to allocate an additional \$50,000-\$149,999 to their budget.
- 14% of property owners said that the tax abatement allowed them to allocate an additional \$150,000 or more to their budget.
- Owners of LEED-certified homes were more likely than owners of non-LEED certified homes to say that the Residential Tax Abatement allowed them to increase their original budget by at least \$50,000 (54% compared to 36%).

Getting the word out about the Residential Tax Abatement and the additional incentives for LEED-certified properties could encourage more investment in the City of Cincinnati.

Extending the term for LEED-certified renovations could make a LEED-certified renovation more cost effective.

- 25% of owners of renovated homes did not know about the tax abatement until after they made their decision to renovate.
- 63% of owners of newly constructed homes who did not build LEED-certified were not aware of LEED certification.
- For property owners of renovated homes, the primary barrier to achieving LEED certification was that the renovation would have been too costly (46%).

Narrative responses were overwhelmingly supportive of the program and attest to the program's success in encouraging new construction and renovation in the city limits.

Other comments addressed the efficiency of the City's process for processing abatements.

The comments to the right are a sample of these responses.

- *"Was considering Covington and Newport but the tax abatement made Cincinnati more attractive."*
- *"Good program, and certainly a GREAT incentive to build in the infill areas within the city."*
- *"The City of Cincinnati is starting to come alive. We moved from Anderson so we could walk to events, restaurants and enjoy the sports, music and art programs. The tax abatement made our decision easier to buy a new home. Thanks."*
- *"Myself and my close friends who have built LEED certified homes as a part of this program would not have built a home in the City of Cincinnati without this program. It was a great experience and has been highly beneficial to myself and my family. I have and will continue to refer this program to friends and colleagues."*
- *"As a long time (20yr) resident in the city, there have been temptations to migrate to the 'burbs only for the desire for a brand new, affordable home. The abatement made the decision to renovate and obtain "new" in my old home a much more enticing option. Keep these options coming to keep residents in the city limits!"*
- *"It was the determining factor for us. We are retiring and wanted to move to the suburbs but were convinced to stay in the city given the lucrative abatement for the next 10 years."*
- *"My abatement application was processed very quickly... to my surprise. I was extremely delighted. I really appreciate this program and what it does for the city."*

Critiques and suggestions for improving the program most commonly focused on confusion about how the abatement works (4 comments). In response, the Department of Community Development has updated its website with more detailed information on how the abatement is applied to different categories of property.

The second most frequent suggestion was that the City increase advertising for the program (3 comments). The comments to the right are a sample of these responses. In response, the City may want to consider ramping up efforts to market the program to potential buyers.

- *"The CRA tax abatement program is a tremendous tool to promote redevelopment and new construction of the city housing stock. The program should be advertised more aggressively by the city. Advertising the program to the outlying suburbs could encourage empty nesters to relocate into the city."*
- *"I believe the program is beneficial for the city, as well as the home owner. I would encourage greater advertising about its availability."*